

Message Text

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PAGE 01 TEHRAN 10843 261429Z

42

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TAGS: EIND, PFOR, IR, IT

SUBJ: ITALY-IRAN: PRESIDENT LEONE'S STATE VISIT TO IRAN

REF: A) ROME 17613 B) THERAN 4879 C) TEHRAN 6138

1. SUMMARY: ITALIAN PRESIDENT LEONE HAS CONCLUDED A NOTABLY SUCCESSFUL 5-DAY STATE VISIT TO IRAN. ECONOMIC COLLABORATION BETWEEN THE TWO COUNTRIES WILL INVOLVE PROJECTS TOTALLING SEVERAL BILLION DOLLARS, BUT WILL REQUIRE SEVERAL YEARS TO COMPLETE. END SUMMARY.

2. PRESIDENT LEONE'S FIVE-DAY STATE VISIT, THE LATEST IN A RAPIDLY ESCALATING VOLUME OF VISITS TO IRAN BY HIGH RANKING FOREIGN DIGNITARIES IN RECENT WEEKS, RECEIVED PROMINENT NEWS-PAPER COVERAGE. UNTIL A FEW MONTHS AGO THE VIEW HELD OF ITALY AT THE HIGHEST LEVEL OF THE IRANIAN GOVERNMENT WAS DISTINCTLY LIMITED OFFICIAL USE

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PAGE 02 TEHRAN 10843 261429Z

PESSIMISTIC. THIS VIEW HAS APPARENTLY BEEN MODIFIED, HOWEVER,

AND ECONOMIC COLLABORATION BETWEEN THE TWO COUNTRIES WAS CLEARLY THE DOMINANT THEME OF THE VISIT. ALTHOUGH THE VALUE OF EACH OF THE SEVERAL PROJECTS DISCUSSED BETWEEN REPRESENTATIVES OF THE TWO GOVERNMENTS WAS NOT PRECISELY QUANTIFIED IN THE TEHRAN ENGLISH LANGUAGE PRESS, OUR SOURCES INDICATE THAT THE TOTAL FIGURE WILL PROBABLY REACH SEVERAL BILLION DOLLARS OVER TIME. WE ESTIMATE THAT AT LEAST THREE YEARS (AND PROBABLY MORE) WILL BE REQUIRED TO BRING ALL THE JOINT PROJECTS TO FRUITION. THE JOINT COMMUNIQUE ISSUED ON DECEMBER 19 CONTAINS THE FOLLOWING HIGH POINTS:

(1) AGREEMENT ON RAPID EXECUTION OF PROJECTS GIVEN TO ITALY BY IRAN ON A "COMPETITIVE BASIS";

(2) AGREEMENT ON THE NEED TO BEGIN TRAINING OF THE PROFESSIONAL, TECHNICAL AND MANAGERIAL PERSONNEL REQUIRED TO STAFF THE AGREED UPON PROJECTS;

(3) RECORDS PRESIDENT LEONE'S PLEASURE AT IRAN'S DEVELOPMENT ASSISTANCE TO THE THIRD WORLD, IRAN'S AID TO THE INDUSTRIALIZED COUNTRIES IN ORDER TO ALLEVIATE THEIR BALANCE OF PAYMENTS DIFFICULTIES AND IRAN'S EFFORTS TO CREATE AN INTERNATIONAL ADMISTERED FUND TO ASSIST THE DEVELOPING COUNTRIES; AND

(4) RECORDS THE PLEASURE OF THE SHAH FOR THE EFFORTS OF THE ITALIAN GOVERNMENT IN SUPPORTING IRAN'S DESIRE FOR AN ECONOMIC AGREEMENT WITH THE EC.

3. THE COMMERCIAL ATTACHE OF THE ITALIAN EMBASSY HERE, CIANO, PROVIDED THE EMBASSY WITH A FEW ADDITIONAL DETAILS CONCERNING THE PROJECTS AGREED UPON BETWEEN THE TWO COUNTRIES, AS FOLLOWS:

(1) FINAL AGREEMENT WAS REACHED WHEREBY THE ITALIAN FIRM ITALIMPIANTI WOULD DO A FEASIBILITY STUDY LOOKING TOWARDS THE CONSTRUCTION OF A STEEL PLANT IN BANDAR ABBAS; THEREAFTER, AND ASSUMING A FAVORABLE FEASIBILITY REPORT, NEGOTIATIONS WOULD BEGIN ON A JOINT ITALIAN/IRAN VENTURE IN THE MANUFACTURE OF SECONDARY STEEL PRODUCTS. ITALY'S EQUITY IN THE VENTURE WOULD BE SUPPLIED BY THE PUBLIC SECTOR.

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PAGE 03 TEHRAN 10843 261429Z

(2) FINAL AGREEMENT WAS REACHED ON THE CONSTRUCTION OF A 30,000 TON ALUMINUM FACTORY AT A COST OF DOL\$40 MILLION TO BE LOCATED IN SAVEH. THIS JOINT VENTURE, WHICH WOULD GO ONSTREAM IN 1976 OR 1977, WOULD CALL FOR EQUITY PARTICIPATION BY PRIVATE ITALIAN INTERESTS, PRIVATE IRANIAN INTERESTS AND THE IRANIAN INDUSTRIAL DEVELOPMENT AND RENOVATION ORGANIZATION.

(3) FINAL AGREEMENT HAS NOT YET BEEN REACHED ON THE CONSTRUCTION

TION OF A 40,000 RUBBER TIRE PLANT BY THE ITALIAN FIRM PIRELLI,
BUT DISCUSSIONS ARE CONTINUING;

(4) NEGOTIATIONS BETWEEN THE TWO COUNTRIES ARE STILL CONTINUING ON THE CONSTRUCTION OF A VISCOSE PLANT; THE ITALIAN FIRM SNIA VISCOSA IS THE PRINCIPAL ITALIAN INTEREST IN THIS VENTURE.

4. THE ITALIANS APPARENTLY ONCE AGAIN INDICATED THEIR WILLINGNESS TO ASSIST THE TOURIST INDUSTRY ON THE CASPIAN COAST BUT NO DECISIONS WERE REACHED ON THE NATURE OF ITALY'S CONTRIBUTION IN THIS AREA.

5. FINALLY, THE GOI'S NATIONAL PETROCHEMICAL COMPANY ANNOUNCED ON DECEMBER 21 THAT AN AGREEMENT HAD BEEN SIGNED WITH ANIC S.P.A., A SUBSIDIARY OF ENI, TO BEGIN STUDIES ON THE ESTABLISHMENT OF A PETROCHEMICAL PLANT IN ONE OF THE PERSIAN GULF PORTS. AN INITIAL INVESTMENT OF DOL\$250 MILLION WILL BE REQUIRED FOR THIS FACILITY WHICH IN TIME WOULD LEAD TO THE MANUFACTURE OF CHEMICAL FERTILIZERS, FOR SALE IN IRAN AND ABROAD.
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